

SPECIAL REPORT

India - New Opportunities for American Hardwoods

This Special Report on India is based upon findings made during a visit to Delhi and Jodhpur in September 2016 and a visit to Jodhpur and Jaipur in May 2017, as well as recent market developments.

To date, the much-publicised potential offered by India for American hardwoods has not been realised. It has proven to be a tough market for US hardwood exporters in which to gain business for a multitude of well-documented reasons and the actual volumes of US hardwood products shipped have been very small. In 2016, for example, just USD 1.1 million worth of US hardwood lumber was shipped to India, equating to a volume of 1,751 cubic metres. For a market which imported some 364,000 cubic metres of hardwood lumber last year (and 3.4 million cubic metres of hardwood logs), according to the Global Trade Atlas, the United States' share is very small indeed. Furthermore, Indian imports of hardwood lumber have risen considerably during the past two years, as the market is shifting away from its preference for logs and as positive developments have taken place in the wood manufacturing sector. Conversely, during this time, US hardwood lumber exports to India have actually decreased.

However, things are changing and there are a few recently-documented cases of furniture and joinery manufacturers buying kiln-dried US hardwood lumber for the first time. More importantly, those who have done this have been very pleased with the lumber received and very happy with the products that they have made. In particular, a species which seems to have found favour with manufacturers in India, is American tulipwood. Both its versatility and competitive pricing are well-suited to the market's needs.



Solid hardwood furniture and handicrafts on display in a factory showroom designed for overseas buyers in Jaipur.

While the furniture and joinery manufacturing sector in India remains largely cottage-based and unorganized, the organized portion of this sector is growing in importance. Furthermore, India is now becoming a significant exporter of wooden furniture and 'handicrafts' (other small wooden items, including lamps, kitchenware and ornaments etc), with products going to the United States and Europe in the main. In 2016, export earnings from the Indian handicrafts sector reached USD 1.95 billion, but this figure includes non-

wood items as well, such as textiles and metal products. According to the Federation of Rajasthan Handicrafts Exporters (FORHEX), exports of Indian ‘woodwares’ (wooden furniture and handicrafts) reached USD 587.44 million in 2016, rising from USD 504.96 million in the previous year. Of this total, roughly 40 per cent were destined for well-known furniture retail brands in the United States, with the bulk of the remainder being shipped to retailers in the European Union, Australia and the United Arab Emirates.

The organized wooden furniture and handicraft manufacturing sector is located all over India, but concentrations of export-focused manufacturers exist in Jodhpur and Jaipur in Rajasthan, as well as in Saharanpur in Uttar Pradesh. According to the Jodhpur Handicraft Exporters Association (JHEA) and FORHEX, there are around 700 organized wooden furniture manufacturers in Jodhpur of various size, around 400 in Jaipur and some 500 or so wooden handicraft manufacturers in Saharanpur. To provide some idea of the amount of hardwood lumber consumed by these factories, JHEA estimates that, in Jodhpur alone, around 40-45 40’ containers are used per day, or around 1,300 cubic metres. This is just one city and, while the other manufacturing centres may be smaller in size, it demonstrates the massive scale of this sector and its huge requirement for hardwood lumber.



Semi-finished furniture components in Jaipur, all made from locally-sourced solid hardwoods.

While there has been significant growth in the sector in recent years, in mid-2016, it was announced that one of the primary hardwood species used would be listed under CITES as of January 2017. Locally-sourced sheesham (*Dalbergia sissoo*), along with the entire *Dalbergia* (rosewood) genus, was brought under CITES trade controls at the start of the year, effectively making it a banned species and severely limiting its availability. This, coupled with an overall reduction in availability, stimulated a price increase in the other local hardwoods used, notably mango and acacia. As a result, the sector is now facing a material crisis and there is now an urgent need to find alternative hardwood species. The latest information from the JHEA is that customers in the US, Europe and Australia have now stopped placing orders for furniture made from sheesham, owing to the timber import regulations that exist in these markets - the Lacey Act Amendment, European Union Timber Regulation (EUTR) and Australian Illegal Logging Prohibition Amendment Regulation (AUSILPAR). As a result of these factors, overall wooden furniture and handicraft production has dropped by something in the region of 40 per cent since the start of the year, with export sales dropping from USD 120 million to USD 35 million. In addition, over the past two months, prices for sheesham, mango and acacia have

increased by 10, 20 and 20 per cent, respectively and market commentators report that this situation is unlikely to improve in the foreseeable future.

Members of both the JHEA and FORHEX report that this has now become a desperate situation and that the need to find alternative hardwood species from outside India has never been more critical than it is now. With this in mind, AHEC's recent visits to Rajasthan were designed as a means of seeing whether any US hardwood species might be suitable. After looking at the production of around fifteen factories in Jodhpur and Jaipur and assessing the lumber being used by them, it is now clear that considerations about colour, grade and character may not be too important. It would seem that almost any American hardwood species in No. 2 Common (both 2A & 2B) grade and in 1" thickness may be suitable, provided that it is both competitive in price and readily available in significant volumes. This specification is well-matched to tulipwood, but a number of other species in the lower grades may also be suitable.



A typical example of sheesham lumber in Jodhpur – 1" thickness, shorter lengths, sound and unsound knots and plenty of colour variation.

AHEC has discussed this issue with a number of manufacturers and American hardwood options were presented during technical seminars in Jodhpur and Jaipur in May. There is a general agreement amongst the manufacturers that tulipwood could be a viable alternative to locally-sourced hardwood species, but there is also a consensus that trials would need to be made, both in order to test the workability of the material and to assess whether the finished items would be suitable to existing buyers in the United States and elsewhere. Since there is no tulipwood lumber available on the ground in India, AHEC is looking to assist by putting together a 20' container of donated tulipwood lumber from its members. This will be shipped to AHEC's India Representative in Mumbai and then distributed in small quantities to key manufacturers in Rajasthan. If the trials prove successful, then it is expected that the manufacturers will import the lumber directly in the future and not rely on local importers. In fact, one very large manufacturer in Jaipur has already confirmed that he will be placing an order for a trial container of tulipwood as soon as possible.

By any measure, the scale of this potential opportunity for American hardwoods is extremely significant. AHEC is very focused on this issue and is working closely with the Indian manufacturers to help them find a viable US hardwood alternative. More information will be shared as and when it becomes available.

For any specific questions, please contact Rod Wiles: rod@americanhardwood.org.